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stables.[20] Within a few years bricks began to arrive in ballast from England, and the brick work prominently displayed in verandah arches facing the Bund provided an indication of the search for Chinese markets for foreign goods in return for China's wealth of tea and silk. This architectural style, common to all the nineteenth-century treaty ports in central and south China, was wittily and fittingly christened the "Compradoric," for it was a necessary blend of Chinese with foreign methods.

The larger foreign firms had two or three partners and eight or ten foreign clerks, plus fifty or sixty Chinese staff (with families), all living in the compound. Among the foreigners there was a notable preponderance of Scots, including the partners of Jardine, Matheson, Ltd., the largest trading firm in Shanghai and known universally as "the muckle house." Apparently the enterprise of these perennial pioneers had conquered Shanghai as it had conquered London. William Jardine, the firm's founder, had been a surgeon on one of the East India Company's ships trading to Canton. He found trading more profitable than healing, and in 1828 persuaded his compatriot James Matheson to join him in his new company at Canton. A Jardine ship carried the first cargo of "free" tea from Canton after the old Company's monopoly was removed by Act of Parliament in 1834. William Jardine was said to keep only one chair (his own) in his office, to encourage his clients to state their business and leave.*

All the large foreign trading firms were divided into six departments: 1. tea; 2. silk; 3. "Manchester goods" (predominantly cotton piece goods); 4. shipping and insurance (understandably a profitable enterprise); 5. land and house agency; 6. "muck and truck" (all the other trade goods, which seldom amounted together to more than 5 per cent of any firm's total goods transactions).† Each

foreign firms in Shanghai found compradores no longer necessary as employed agents. By that time the compradores had taught them almost as much as they had unwittingly taught the compradores.

* See Greenberg, British Trade, for a detailed account of the history and operations of this and other private firms in the Canton trade, based on contemporary letters and business records.

† Until 1890, overseas exports in this category were primarily hides, leather, bristles, horsehair, China grass, and art objects; imports, aside from opium and textiles, were largely limited to hardware, cotton yarn (for Chinese household and small-scale industry), and machinery.

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442 439 foreign firm employed a tea expert, usually a foreigner, who went every year in the tea season of late April and early May to the local collecting centers in the hinterland at Kiukiang, Hukow, Hankow, Siangtan, and Hangchow (map 9), where he made his own selection and bought according to the anticipated state of the London market. By the time of the Treaty of Tientsin in 1858, the original provision that foreigners must not be away from the treaty ports for more than one day had yielded to foreign assertiveness and the demands of trade. Under the new treaty, foreigners were permitted free movement to all parts of the empire, and required a passport only beyond 100 *li* (approximately 33 miles) from the treaty ports.

For the silk trade at Shanghai, there was also an expert attached to each foreign trading firm, again usually a foreigner, but since the main silk-producing areas were in the delta it was not necessary for him to travel so extensively, and he did most of his appraising and buying of silk in Shanghai. Kiangsu and Chekiang silk was considered by these men to be the finest in the world, a quality which they ascribed to the favorable effects of the climate and soil on the growth of the silk worm and on the excellence of its diet of mulberry leaves. The silk was brought to Shanghai by Chinese silk merchants in the city, who bought it at hinterland collection centers, notably Soochow, Wusih, Huchow, and Hangchow.

Much depended on the accuracy of predictions about the London market. In the early days of the Settlement, letters from London arrived via Bombay or Calcutta by the opium clippers, forerunners of the tea clippers, which carried a cargo of such high unit-value that they could sacrifice size and weight to speed. By 1840 they had supplanted the slow-moving and cumbersome East Indiamen of the old Company, and at Woosung they discharged their cargo into hulks anchored in the Yangtze, since the importation of opium had been made illegal for American, French, and Russian nationals by their treaties with China after 1842, and declared illegal for British [548] subjects by Sir Henry Pottinger in 1843. The opium was illegally distributed from Shanghai by the Chinese dealers to whom it was sold there. Mail was at the same time dropped off at Woosung, and rushed to Shanghai by pony express, whose riders galloped up the

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Bund and slung off at each firm's compound the mail bags addressed to it. After 1860 when a British mail service was begun by steamship to Singapore and Hong Kong, Jardine's managed to get its mail two days before its competitors by arranging for its own line of faster ships to take its own mail from the mail boat at Hong Kong or Singapore while the mail boat was coaling and bring it at full speed to Shanghai, where it was put ashore farther up the Yangtze above Woosung and brought secretly to the firm's offices, thus giving them a valuable jump on buying and price transactions.

This advantage was, however, shortlived, since a telegraph line was completed into Siberia by 1871, and messages could be sent from London to Kiachta on the Mongolian frontier of Siberia, relayed from there by courier to Tientsin, and thence by coastal steamship to Shanghai in three weeks total while the regular sea mail from London, even with Jardine's short cut, took seven weeks. In at least one case these dramatic but often uncertain improvements in communication proved disastrous. Early in 1876, a telegraph and marine cable line was completed to Shanghai via Singapore and Hong Kong, and in June came the news that half of the French and Italian silk-worm crop had been destroyed by violent thunderstorms. This stimulated frenzied buying of silk by the foreign firms, but the cable broke early in July a few days before the London market (which supplied the continent with Chinese silk) collapsed, and two foreign firms at Shanghai were ruined by their continuance of buying in the expectation that the cable would soon bring more good news.[21]

It was an alternately lazy and frenzied life for the foreign merchants during the days when tea, silk, and opium were the only important trade goods and before the advent of cables and steamships. During the "season" of about two and a half months (the silk-buying season lasted from mid-May to late June), foreign merchants worked twelve or fifteen hours a day seven days a week arranging for the buying, transport, packing, and shipping of tea and silk. For the rest of the year they kept leisurely hours, seldom opening their offices before ten or closing them after four, and taking two hours or more for a heavy lunch in the mess. They placed great emphasis on violent exercise as the only way for a Westerner

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to keep healthy in China, and nearly every foreigner in Shanghai rode, hiked, or took part in team sports.

The Chinese were amazed at this waste of calories. "'Belong foreign man custom' they would say as they turned to their diet of rice and cabbages," according to the memoirs of an early foreign resident.[22] Certainly the foreigners ate well, but while they brought spirits and special foods from home at great expense, the bulk of their food came from the delta area, according to the records of the same early resident, who was for a time during the 1870's in charge of the mess at one of the foreign firms and lists the sources and prices of the most important items which supplied it.[23] Foreign merchants and assistants would often be gone for weeks at a time on shooting excursions in the hinterland. Wherever they wanted to go in the delta area they found they could travel by houseboat, to the smallest village or the most remote bird-feeding grounds. And wherever they went they found these waterways clogged with Chinese craft carrying both domestic and foreign goods to and from Shanghai.[24]

W. H. Medhurst, an early British missionary (and later consul) at Shanghai, took a trip into the tea and silk districts of Kiangsu, Chekiang, Anhwei, and Kiangsi in 1845, disguised as a Chinese. His account of the trip laid emphasis on the waterways of this region, and since his journey never took him far from the waterways of the delta or of the Yangtze system, he attributed what he saw over this large area to the whole of China:

> Canals have been dug in all directions, and spread like veins and arteries to almost every part of the empire. As far as the experience of this writer goes, the Chinese have no walled cities or large towns except in places which are accessible by water.[25]

He noted that the major canals, used by grain junks, averaged about 40 feet wide and 6 to 8 feet deep, and that bridges over them were at least 20 feet above the surface of the water at the center of the arch so that the grain junks could pass under them with their masts lowered.

By 1863, the original foreign leasehold at Shanghai of 43 acres had been expanded through agreements with the taotai to a total of

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KEY FUNCTIONS

cargoes between Wanhsien and Ichang are damaged in transit, and about 10 per cent of west-bound boats.[6] Rates of course vary according to the season and to whether the cargo is to be moved up or downstream.

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More than a few villages along the Yangtze between Ichang and Chungking depended for their livelihood largely on salvage from boats wrecked on the rocks or in the rapids. Many of these villages were engaged in neither agriculture nor fishing. Hsin Tan (the characters mean "new rapids"), some eighty miles upstream from Ichang, was described by the delegates of the Shanghai Chamber of Commerce in 1869 as a large and prosperous town whose wealth derived mainly from its location at one of the most dangerous rapids along the upper Yangtze. The original channel there was blocked by a landslide in the fourth century B.C., and shortly thereafter Hsin Tan was founded a few hundred yards from the new channel, which contained a series of rapids. The new town presumably acted as a lay-over point for boat trackers, but the rapids also yielded another form of income. Navigation on this stretch was originally forbidden by the provincial authorities between November and April, but the inhabitants of Hsin Tan cleared a channel adequate for the passage of boats during the low-water period but not adequate enough to prevent frequent wrecks, from which they realized most of their livelihood.[7]

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Trade within the Yangtze basin has to adjust itself to the seasonal limitations on navigation. Merchants in each trading place, including Shanghai, are obliged to keep large reserves of goods on hand to tide over the periods of flood and low water, and to be ready to ship in large quantities when navigation is possible. Water transport is also liable to interruption by civil disorder (peasant risings, troop movements, bandits), since boatmen fear expropriation of their craft and cargoes at such times. Foreign traders in Shanghai found that most of the Chinese dealers in the hinterland had insufficient capital to buy goods adequate to ensure a uniform supply, and that it was therefore necessary for local branches of the Shanghai firms in inland trade centers such as Hankow or Kiukiang to keep on hand at all times a minimum of 18 months' supply of goods. Under such conditions, only the largest foreign firms could afford to operate,

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since only they could make such large investments, and could spread the risk of loss over many distribution centers in the interior. Only the largest firms could also keep prices reasonably uniform throughout the year by balancing seasonal and regional losses against seasonal and regional gains.

These operations could not be conducted by foreign firms from a non-Chinese port (such as Hong Kong, or such as was at one time envisaged on Chusan Island), where customs dues and handling charges would be added costs, and because much of the Yangtze trade can best be conducted by junks which are usable over most of the basin's waterways but are not suitable for coastal navigation. Junks drawing between five and eight feet can navigate both the upper and lower Yangtze (i.e., above and below Hankow) as well as most of the major tributaries and the larger waterways of the delta. Their shallow draft and unseaworthiness eliminate them from coastal navigation; a dual-purpose junk would be an overly expensive carrier. Cargo packed at the Shanghai headquarters of foreign firms for shipment to inland centers can be packaged more cheaply for river transport than would be possible for non-Chinese entrepôts dependent on coastal shipping for their connection with the transport routes of the mainland.*

All of these factors, in particular the advantages accruing to the largest firms from the seasonal variations in water transport facilities, redounded to the benefit of Shanghai, since the great majority of the largest foreign and Chinese firms engaged in the import and export trade had their headquarters there. Hankow was handicapped in its direct foreign trade by the low-water period of winter, during which most ocean ships could not reach the city. Shippers preferred to operate out of Shanghai as the only year-round ocean port for the Yangtze basin.

The advantages of unfettered access to this trade artery were apparent to the early foreign traders at Shanghai before the Yangtze was opened to foreign steam navigation by the commercial section

* A statement from a "businessman of wide experience in China," cited in R. C. Feetham, *Report to the Shanghai Municipal Council* (1931), I, 289–90, makes many of these points. What is discussed here is of course the "break-in-bulk" theory. The statement goes on to say that "fully 80 per cent of cargo delivered to ultimate consumers in China moves via wa[illegible]ays."

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ings slightly altered to house machinery which is tended by the residents of the house, often members of one family. These small industries are engaged in a bewildering variety of production, and despite their universal under-capitalization, most of them use electrically-driven machinery. "Factories" of this kind produce, for instance, machine tools, cast iron, electric appliances, soap, acids, textile machinery, power presses, boilers, and telephone parts, as well as a long list of light consumer goods, such as flashlights, light bulbs, thermos flasks, clothing, lamps, electric fans, and food products.[9] Despite crowding and poor working conditions, the quality of production in these plants was apparently high. American orders for telephone parts were placed in Shanghai from 1932 to 1935 for export to South America, and the contracts went predominantly to these small household operators.[10] There was a very high rate of turnover among these "factories"; their small scale and small capitalization enabled them to react with great sensitivity to market changes and to crowd or evacuate lines of production alternately as profits varied.*

Market and Raw Materials

Market considerations are the leading factor in the concentration of manufacturing as a whole in Shanghai. As the primate commercial and industrial center of China, not only were capital, relatively trained industrial labor, and electric power available there more abundantly and in most cases more cheaply than anywhere else in China, but Shanghai includes in its trade hinterland half of the country. With the notable exception of the textile industries, most of the raw materials necessary to maintain Shanghai's manufacturing were not available locally in its immediate hinterland. It was the market which attracted and held most manufacturing.

We may logically begin with the exception, the textile industries. Shanghai is located near the center of China's chief cotton-producing

* The *Chinese Economic Bulletin*, published in Shanghai, records many of these changes. For example, there were 11 industrial establishments in Shanghai in November 1930, producing "gourmet powder" (made mainly from wheat flour), 9 in October 1931, and none in June 1932, according to the *Bulletin's* weekly industrial news columns.